

MARYLAND DEPARTMENT OF AGRICULTURE
FY 2005 PAYGO BUDGET PRESENTATION
HOUSE APPROPRIATIONS COMMITTEE
TRANSPORTATION AND THE ENVIRONMENT SUBCOMMITTEE
JANUARY 27, 2004

Maryland Agricultural Land Preservation Foundation (MALPF)

The goal of the Maryland Agricultural Land Preservation Foundation is to preserve enough productive agricultural land in order to provide for the continued production of food and fiber, curb the extent of random urban development and protect agricultural land and woodland as open space. The General Assembly set a new land preservation goal in 2002 with the passage of SJR10 and HJR22 which recommended the statewide goal be to “triple the existing number of acres of productive agricultural land preserved by MALPF, GreenPrint, Rural Legacy and local government programs by the year 2020. This will require the preservation of nearly one million acres over these next twenty years. Maryland has also set other land preservation goals; Rural Legacy - 200,000 acres, Green Infrastructure - 1,500,000 acres, and the Bay Agreement for preserving 20% of the Maryland Watershed by 2020 - 1,240,000 acres. Today, Maryland has permanently preserved over 466,000 acres with MALPF, MET, Rural Legacy, GreenPrint and local government easements and TDR’s. There is also another 250,000 acres preserved under Program Open Space (POS).

MALPF's PROGRAM GOALS:

- *Establish the critical mass of farmland to provide a guaranteed base for a continuing agricultural industry.* For example:
 - The canning industry's interest in investing in a new processing plant on Eastern Shore can be determined by a guaranteed land base to grow enough truck crops to support the facility.
 - Similarly, the continued success of the chicken industry is based on adequate acreage to grow crops for chicken feed to limit the cost of such feed. One must have adequate agricultural production to support the agricultural infrastructure of farm equipment sales and repair locations, storage and transit facilities, seed and fertilizer retailers, etc.
- *This critical mass of farmland is created by the purchase of development rights* from farming parcels, requiring best management practices to maintain the soil's productive qualities, and establishing restrictions on the properties to discourage the subdivision of a farming unit into subunits that can no longer support economically viable farming operations.
- The original goal in 1977 was to preserve 1,000,000 acres of prime agricultural land. Today we have over 400,000 acres preserved including local programs, Rural Legacy, and GreenPrint towards the goal of 1,030,000 acres (by 2022) set by the General Assembly in the 2002 legislative session.

In the past six months, the Foundation made offers on 142 properties covering 17,000 acres from the 350 applications we received last year. Clearly, there is still a significant demand for preserving agricultural land in Maryland. We also settled on all but 5 of the 168 of the previous years offers which were affected by the 2003 BFRA and 85 of the 142 offers we made in FY03!! These actions basically used up the bond funds provided last Session along with our local

matching funds and federal funds. This represents an outstanding effort on the part of our MALPF staff, DGS, and our local partners. There is really no longer any significant backlog of MALPF easement settlements.

We now have 400,000 acres under agricultural districts with over half of those acres under easement (233,000 acres). We are now preparing to go to the Board of Public Works with eight GreenPrint and second round offers for 100% local government offers for 1,000 additional acres. Later this spring we will be making several more offers for more 100% county funded offers now being appraised. These new offers are the first to include the new reduced lot density clauses for children and owners lots.

Impact of the Budget Reconciliation Acts (BFRA's)

DLS has requested we brief the committee on the impact of the BFRA's on MALPF. As you may recall, the General Assembly and the Administration have diverted all or some of MALPF's share of state transfer taxes in FY02, 03, 04 and now FY05 to assist in funding other state general funded programs. The obvious impact is we don't offer as many easements to farmers, fewer acres are permanently protected, and more farmland is lost to development, forever. Using the \$2,000 per acre average we pay for development rights, the net tax diversions for MALPF to the general fund for FY03,04 and 05 could have preserved an additional 25,000 to 30,000 acres. Additionally, with those higher funding levels, MALPF may have been able to attract additional federal or local government funding.

The Department believes the specific fund source, bonds or actual tax revenues, is a policy decision for the Administration and the General Assembly. The important issue for our farmers, who want to participate in the easement program, is that adequate funds are made available.

Land Preservation as a state goal is very important, but is also only one of many other state priorities. In past periods of tight budgets, funding for state land preservation like MALPF and POS have been reduced. Bonds have also been used before to assist in keeping these programs moving towards their goals, albeit at lower annual levels of appropriation. We are in one of those periods today and while we have a need for additional state funds, we recognize the demands of the rest of state government's functions and responsibilities. We look forward to the future, try to be as creative as possible with new funding opportunities and then do the best we can with what you are able to provide.

FY05 MALPF Funding

For FY05, as we understand the current proposals for MALPF, six specific actions are being proposed.

- 1) Legislation will be introduced to divert the remainder of what would have been MALPF's share of the FY05 state transfer taxes to the general fund, about \$13 million.
- 2) MALPF retains an \$1.5M appropriation of agricultural transfer taxes to cover operating expenses and another \$1.5M in PAYGO Capital appropriation to distribute to all the counties and to match the local and federal funds.

3) We have estimated local funding to be \$7M. This would include approximately \$2M for the 60/40 matching program and \$5M for counties that would request to 100% locally fund certain of their applications thru the MALPF program. Some local governments have significantly increased their contributions of matching and unmatched funds to MALPF. For example, Carroll County is funding between \$5 and \$7 million of 100% County-funded offers through MALPF for FY 2004..

4) We have estimated that about \$3.5M may be available from the Farmland Protection Program at USDA. These federal funds require a 50% state match and states compete for these funds. In 2003, Maryland received over \$4 million, the second largest grant of federal funds for farmland preservation in the United States. This was the second highest allocation in the country.

5) MALPF could also receive \$1.25M from DNR GreenPrint funding if the general Assembly approves their \$5M GO bond request.

6) MALPF has requested \$5M in GO bonds for FY05. The pressure on the debt ceiling is considerable. However, the Administration is attempting to maintain our program at a modest level as we work through the current fiscal constraints. The Administration has also expressed its intent to return this program to the statutory allocations as soon as possible. This expectation is reflected in the Administration's *Capital Improvement Plan* for FY06 and beyond.

Rural Legacy vs MALPF for Bond Funding

The capital budget bill will include restrictive language which the Administration added to detail their intent about bond funding for MALPF and Rural Legacy at DNR. Again, the funding policies are the prerogative of the Administration. Clearly there was not enough funding available for all state land preservation programs and decisions were made about which programs were to be funded at the levels provided in the Governor's budget submission. The majority of funding for both Rural Legacy and MALPF was intended for rural landowners, most of whom are farming the land. For us, the tight funding situation is the issue. Obviously, if MALPF were to lose the \$5M in GO bonds, we would basically have no state program for FY05 and also not be able to apply for federal funds or match any possible local funds for state easements.

Task Force to Study MALPF

The original Task Force to Study the Maryland Agricultural Land Preservation Foundation submitted its report to the General Assembly and the Governor on August 21, 2001. The General Assembly reactivated the Task Force in 2002 to continue their study and make recommendations on a variety of unresolved issues. The Task Force will remain active through May, 2004.

MALPF Today:

- As a result of MALPF Task Force recommendations approved by the Governor and legislation passed in the General Assembly, MALPF has reduced the amount of potential

development that can take place on preserved properties.

For example, under earlier rules, the landowner who sold the easement could develop an owner's and children's lots up to a maximum of ten at a density of 1 lot per 20 acres if the landowner had a 200-acre farm and enough children. The right to exclude lots from MALPF properties ended when the property was transferred to a subsequent owner.

By comparison, easements settled after October, 2003, allow the landowner who sold the easement to develop a maximum of three family lots at a density of 1 lot for the first full 20 acres, and 50 additional acres for each of the two additional lots. The right to exclude family lots from MALPF properties ends when the property is transferred to a subsequent owner. Alternatively, under the new rules, the landowner could retain a single unrestricted lot that would continue to be developable after the property is transferred to a subsequent owner if not developed by an earlier owner.

- As a result of MALPF Task Force recommendations approved by the Governor and legislation passed in the General Assembly, the MALPF Board of Trustees has been given more flexibility to review what are acceptable farm and farm-related activities on its district and easement properties.

For example, under earlier rules, a landowner was substantially restricted to using the farm only for the direct production of agricultural products and the commercial sale of only the products produced on the farm.

By comparison, as of October, 2003, MALPF's Board of Trustees has the discretion to allow farm- and forestry-related activities and home occupations on MALPF property that support the farming operation and provide supplemental income to the landowner. Corn mazes, off-season equipment repair in existing farm structures, and other activities that complement the farming operation could be approved at the Board's discretion.

- As a result of MALPF Task Force recommendations approved by the Governor and legislation passed in the General Assembly, MALPF is undertaking a fundamental revision of its ranking guidelines in cooperation with its county partners to emphasize the goal of obtaining the best farming properties in the areas of counties that best meet local growth management objectives.

Under previous ranking guidelines, a county could opt to prioritize its easement applications based only on the discount offered by the landowner for the State to purchase the easement. Approximately half the counties, however, have developed ranking systems based on local priorities, as allowed under HB 457 (1999).

By comparison, as a result of legislation passed during the 2003 legislative session, statewide ranking guidelines will be developed that will no longer allow counties simply to rank based on discounting, but will require ranking to be based on the quality of the farm, local growth management objectives, and other local priorities.

NEW MALPF LEGISLATION FOR 2004

The MALPF Task Force has recommended three legislative initiatives as a result of its meetings since its last interim report.

1. Tenant House Approval. This legislative proposal gives flexibility to the Foundation's Board of Trustees to consider the construction of tenant housing for properties smaller than 100 acres if there are compelling reasons based on the nature of the farming operation to house on the property someone fully engaged in the operation of the farm. The proposal also explicitly authorizes the Foundation's Board to use the size and location of a tenant house as approval criteria.
2. Termination of Easement. This legislative proposal eliminates the twenty-five year termination clause in future deeds of easement in favor of a perpetual easement. The proposal also establishes a hearing and appeals process for landowners who entered the program under the twenty-five year termination clause and who request the easement termination.
3. Modification of Tax Credits for Land Preservation Easement Donations. This legislative proposal improves the tax credit for land preservation easement donations and bargain sales to benefit the average farmer, not just the wealthy landowner. Among possible modifications include changing the cap, allowing unused tax credits to be transferred, expanding eligibility to include some limited partnerships, reducing or eliminating the negative impact on the tax credit of the county piggyback tax, and finding ways to have the charitable contribution share of bargain sales offset capital gains taxes. This proposal is likely to be introduced in the General Assembly in several bills. Some parts have been drafted by DLS, other parts are still being drafted by staff at Maryland Environmental Trust.

The Department of Agriculture has recommended two legislative initiatives.

1. Transfer of Lots. This legislative proposal requires that any child's or owner's lot released from the easement cannot be transferred for five years from the date of final release unless approved by the Foundation. This proposal was requested by the MALPF Board of Trustees. Filed as HB164.
2. Arbitration of Easement Values. This legislative proposal requires that requests for arbitration of the easement value established by the appraisal and appraisal review process must be made no later than September 30 of the year following the determination of the value. There is now no deadline for arbitration requests. This proposal is considered housekeeping. Filed as HB098.

Delegate Barry Glassman has been working on a legislative initiative since the last legislative session to adopt an installment purchase agreement option (IPA) for MALPF program

participants. An IPA option provides the opportunity for landowners to receive 15 to 30 years of tax-free income and a payment of the principal as a balloon payment at the end of the 15 to 30 year agreement at which point capital gains taxes are paid. IPA's also create the potential for the State to leverage limited funds now to purchase easements at current prices because the payment of the principal can be secured by purchasing a zero-coupon Treasury instrument at significant discount in return for dedicating a proportion of future revenue to servicing interest payments. The MALPF Task Force and the Foundation supports Delegate Glassman's initiative, however, several financing details may need to be discussed when the bill language is reviewed to determine the impact on the state bond funding of MALPF and any change in the current statewide allocation of MALPG revenues.

MALPF is now working with the General Assembly and the Task Force to consider the possibility of leveraging State funds by adopting an installment purchase agreement (IPA) option for program participants. Installment purchase agreements provide the opportunity for landowners to receive 15 to 30 years of tax-free income and a payment of the principal as a balloon payment at the end of the 15 to 30 year agreement when capital gains taxes are paid. Installment purchase agreements have the potential to allow MALPF to leverage limited funds now to purchase additional easements at current prices because the payment of the principal can be secured by purchasing a zero-coupon Treasury at a significant discount in return for dedicating a proportion of future revenue to servicing the interest payments.

MALPF and the Governor's Land Conservation Program Guidelines:

In December 2003, Governor Ehrlich announced a new set of general policies and recommendations to guide the land preservation efforts for his Administration. The broad goal of the Chesapeake Bay Agreement is to preserve 20% of the State's Bay watershed. It is important to realize that over 90% of Maryland is contained in the watershed and preservation in Central Maryland is often as important as along the shoreline of the Bay. For MALPF, we have always had components of the Governor's policies contained within our program concepts. MALPF has always had a priority in statute to protect the "best" agricultural land. We do that by using soil types as the basic qualifying criteria. Now, with new legislative initiatives, we may do a much better job of also reflecting local land use decisions because counties rank applications and we fund applications in an order other than "lowest discount value".

- *The Administration will focus State land conservation priorities and investments.*
 1. Easement acquisition guidelines are being developed in consultation with local governing bodies to identify the best quality and best managed farms consistent with local growth management goals as the priority for easement purchases. By adjusting the relative weight of the quality of the soils, the quality of the farm, the relationship between the proposed property and other protected properties and target areas, and development pressure and potential, and taking into consideration any unique county-specific criteria, all counties will be prioritizing their easement applicants by standards related to the quality of farm and local objectives.

2. MALPF will retain its focus on the preservation of the land resource base of the agricultural industry.
 3. MALPF will continue its focus on the responsible stewardship of its district and easement properties.
- *The Administration will apply the best available information and technology to identify the most important agricultural resources.*
 1. MALPF will continue to use the most current soil survey data to determine the most productive farmland. As results of the new soil survey become available, MALPF will incorporate the new information.
 2. MALPF's new rankings guidelines will likely require the application of MD Dept. of Planning data on development pressure in setting local priorities.
 3. MALPF will apply GIS and other mapping data to identify the most important agricultural resources to protect.
 4. Many counties already have developed rankings systems to identify priority properties based on the best available information and technology, taking into account the most productive and best managed properties most consistent with local objectives. The development of the new rankings guidelines will simply expand this to all county participants in the MALPF program.
 - *The Administration will establish a process for collaboration and coordination among State and local land conservation programs.*
 1. MALPF has a long track record of successful collaboration and coordination between MALPF and local programs on land conservation activities that will continue and be enhanced.
 2. MALPF is working with counties to develop and implement new rankings guidelines.
 3. MALPF will continue to work with other State-level land conservation programs and find ways to enhance collaboration and coordination of activities. MALPF staff already participates on the Rural Legacy Advisory Committee and the CREP Advisory Committee, and has been a partner with the Department of Natural Resources in the implementation of the GreenPrint Program. MALPF staff also reviews Rural Legacy applications for the Department of Natural Resources and provides staff support for the Rural Legacy Board. Many of MALPF's local program administrators are also sponsors or co-sponsors of Rural Legacy projects and provide substantial coordination at the local level.

What MALPF is not:

- MALPF is not a Chesapeake Bay Restoration Program.
- MALPF is not a water quality program.
- MALPF is not a growth management program.
- MALPF is not a top-down program based on State initiative that determines local priorities for land conservation and the protection and support for the agricultural industry.
- MALPF is not a fee simple land purchase program.

- MALPF is not a broker for the transfer of farmland between owners or a farm link program.

What MALPF is:

- MALPF is an **agricultural program** intended to support the stability of current agricultural production and encourage the development and expansion of new economic opportunities for agricultural producers.
- MALPF is a **voluntary program** based on bottoms-up initiatives from local governing authorities to set priorities and objectives on farmland preservation and the support and development of local agricultural industry.
- MALPF is a **partnership with local governments** based on local knowledge of conditions, objectives, and priorities.
- MALPF is a **“purchase of development rights”** program whose activities to protect the agricultural industry **result in important secondary objectives:**
 1. MALPF helps **control sprawl development** and helps pursue other local growth management objectives.
 2. MALPF's requirement for best management practices (BMPs) on farms maintains and improves the impact of preserved properties on **water quality of the Chesapeake Bay** and other watersheds from soil erosion and nutrient run-off.
 3. MALPF's purchase of development rights helps limit the demand for expanding development infrastructure into rural areas, helps limit the expansion of impervious surfaces, and therefore helps **control increased run-off and the pressure for higher taxes.**

The basic principle on which MALPF was founded is that preserving prime farmland with agricultural conservation easements protects rural land from the negative environmental impact of uncontrolled growth.

TOBACCO CONVERSION PROGRAM

**Tobacco Conversion \$4,653,000 PAYGO, \$1,000,000 Operating
(\$5,000,000 in GO Bonds for FY05 previously authorized)**

DLS Recommendation: Concur in the Governor's Allowance

For FY05, the total budget is for \$10,643,000 and there are funding requests in the Operating and PAYGO budgets. Previously, the program was funded by an allocation of available annual revenues from Maryland's share of the National Tobacco Master Settlement Agreement (Cigarette Restitution Funds - CRF). The program was also allocated an authorization for \$5 million in bonds by the General Assembly to reflect the reality that the extraordinary high rate of signup for the "Tobacco Buyout" would exhaust the anticipated revenues from the CRF and the need to also fund the other components of the Tri-County Council (TCC) Action Strategy for Southern Maryland.

The Tri-County Council submitted their revised "Strategic Plan and Action Strategies" to the General Assembly several months ahead of the December 15, 2003 date requested in the Joint Chairman's Report. I believe they have done an outstanding job in marketing this program in Southern Maryland. Today, we have 733,000 pounds of tobacco enrolled in the buyout program. This represents an additional 540,000 pounds enrolled for 2004 and we expect another 400,000 pounds for the 2005 season. This 2005 sign up is the last one proposed by the TCC.. By any account, the "Buyout" has been an unbelievable accomplishment. By next year, this buyout will represent 94% of the eligible tobacco grown in Maryland and will include participation by over almost 90% of the over 900 eligible growers. Our current plans will maintain spending within the revenues allotted to the Department through June 30, 2004, and fully fund all of the growers who want to participate in the buyout program. The TCC has also been able to begin to operate the other components of the program. I'll ask Delegate Owings and Dr. Bergmark to bring you up to date on those program activities and to comment on the nature of their ag land preservation program and why it compliments the state MALPF program.

Statement of Dr. Christine L. Bergmark
Director, Southern Maryland Agricultural Development Commission
Tri-County Council for Southern Maryland
Response to the Department of Legislative Services Report on the
Tobacco Crop Conversion Program 2004

The Governor of the State of Maryland allocated funds beginning in FY 2001 to support the design and implementation of the *Southern Maryland Regional Strategy - Action Plan for Agriculture (aka: Tobacco Crop Conversion Program)*. The purpose of these funds was to stabilize the Southern Maryland agricultural economy as many of the region's farmers convert from a production base of tobacco to alternative crops and other agricultural enterprises. The plan consisted of three parts, the Tobacco Buyout, an Infrastructure Program, and Agricultural Land Preservation.

Due to the tremendous success of the Buyout Program, the Legislature passed a Bill in 2001 to permit the sale of \$5 million per year in State Bonds (effective FY'04) to assure farmers that funds would be available to honor the Buyout contractual obligations and to buffer any fluctuations in the annual appropriations from the Cigarette Restitution Fund (CFR).

Please find below the responses to recommendations and requests by the Department of Legislative Services report received 1/23/04:

DLS Recommendation: **"Concur with the Governor's Allowance".** Agreed.

DLS Request: **"Brief the committees on why it is strategic and not duplicative to dedicate ... funds to the Agricultural Land Preservation Program, since other State land preservation programs exist."**

Southern Maryland is the fastest developing region in the state of Maryland. Over 340,000 acres have been lost to development since 1970. As farmers transition away from their highest income-producing crop, many will be tempted by the lucrative high dollars offered by developers for their land, rather than to continue its use in agricultural production. What a shame it would be if the state's over \$7 million investment in Southern Maryland agriculture through the Buyout were to result in sprouting houses and urban sprawl.

The Agricultural Land Preservation Program supports existing county and state efforts by prioritizing tobacco buyout farms. This **leveraging** enables the counties and state to **make additional offers**, further stretching their ability to enhance and preserve rural lands. Program funds are **matched on a one-to-one basis** from the counties, either through county or state (MALPH) funds.

- Over the first two years of the program, **over 4,309 acres have been directly preserved by the program** in four counties of Southern Maryland.
- These direct funds enabled four counties to make additional offers for agricultural land preservation and has resulted in supporting **over 5,109 acres** placed under agricultural land preservation.
- Furthermore, the funds enabled one of the most counties facing the most intense development pressure, Prince George's, to create a new agricultural land preservation program.
- In 2002, 16 SMD landowners applied for agricultural land preservation but were turned away due to insufficient funds – representing a lost opportunity to preserve 1,634 acres. The total easement value of these lands is over \$4 million.
- In 2003-4, 60 farms in Southern Maryland requested agricultural land preservation easements and are awaiting settlement, **totaling 7,961 acres and \$27 million.**
 - Of these, 14 are Tobacco Buyout Farms, amounting to 1,375 acres and \$4,087,179.

- Funds are **insufficient from the state and counties to preserve all of these farms.**
- In recent years, the State of Maryland's **funding to the MALPH program has significantly decreased**, thus giving further credence to utilizing our Cigarette Restitution funds to support county efforts to fund agricultural land preservation in Southern Maryland.

Maryland's tobacco conversion program has captured the attention of the nation and will be a noteworthy success if, **rather than sprouting houses and sprawl, Southern Maryland's farms generate profitable, market-driven agricultural enterprises.** The overwhelming success of the buyout component highlights the need for a united program, coupling the buyout with conversion to other agricultural enterprises and agricultural land preservation, as envisioned in the Tobacco Crop Conversion Program.

Highlight accomplishments concerning Capital and PAYGO funds during the past year include:

Tobacco Buyout:

- Eighty nine percent of the 1998 eligible tobacco has been taken out of production forever as 779 growers will have taken Maryland's Tobacco Buyout by January 2004. This represents 7.331 million pounds of tobacco and 77% of the producers.
- An additional 92 growers have indicated their intent to take the Buyout in its final year of application, pending availability of funds. This would represent 94% of the eligible tobacco as of January 2005, and a potential total of 7.78 million pounds.

Agricultural Land Preservation:

- 2,100 acres have been directly preserved by the program in four counties of Southern Maryland in FY 2003, thus over the two years of the program, over 4,309 acres have been directly preserved by the program in four counties of Southern Maryland. These direct funds enabled four counties to make additional offers for agricultural land preservation and has resulted in supporting over 5,109 acres placed under agricultural land preservation in FY'03.
- The funds enabled the fifth county, Prince George's, to create a new agricultural land preservation program.
- The program provided incentive for 9 new farms to apply for agricultural land preservation that may have not considered this option if not for the Bonus.
- Two counties have used this incentive to renovate and improve two farmer's markets.

(See Appendix A for highlights on the entire program including the Infrastructure/ Agricultural Development Programs)

Appendix A:

**Southern Maryland Agricultural Development Commission
Tri-County Council for Southern Maryland**

January 2004

SOUTHERN MARYLAND TOBACCO CROP CONVERSION PROGRAM

KEY ACCOMPLISHMENTS - FY 2003 and early FY 2004

Tobacco Buyout:

- Eighty nine percent of the 1998 eligible tobacco has been taken out of production forever as 779 growers will have taken Maryland's Tobacco Buyout by January 2004. This represents 7.331 million pounds of tobacco and 77% of the producers.
- An additional 92 growers have indicated their intent to take the Buyout in its final year of application, pending availability of funds. This would represent 94% of the eligible tobacco as of January 2005, and a potential total of 7.78 million pounds.
- A sophisticated automated database was newly created and implemented in FY 2003 to assist in processing and tracking the Buyout contracts and annual renewal forms.

Agricultural Land Preservation:

- 2,100 acres have been directly preserved by the program in four counties of Southern Maryland in FY 2003, thus over the two years of the program, over 4,309 acres have been directly preserved by the program in four counties of Southern Maryland. These direct funds enabled four counties to make additional offers for agricultural land preservation and has resulted in supporting over 5,109 acres placed under agricultural land preservation in this fiscal year alone.
- Additionally, the funds enabled the fifth county, Prince George's, to create a new agricultural land preservation program.
- The program provided incentive for 9 new farms to apply for agricultural land preservation that may have not considered this option if not for the Bonus.
- Two counties have used this incentive to renovate and improve two farmer's markets (see Farmers' Markets below).

Infrastructure / Agricultural Development:

A 2001 Southern Maryland (SMD) market trends analysis conducted in the wake of the Tobacco Buyout identified several key items:

- SMD is poorly served by production and marketing infrastructure in all agricultural sectors except tobacco
- Specific needs included Marketing support and Leadership development.
- Key opportunities for lucrative future expansion include: green products (horticulture), livestock, produce and value-added processing, tourism, grapes/wine, hay, and the equestrian industry.

Marketing Southern Maryland Products

- ***So. Maryland, So Good*** -- a direct marketing campaign launched September 2003. In addition to facilitating marketing links, this campaign is a branding campaign with the goal of adding value to locally produced or processed agricultural products through the use of an identifiable brand.
 - Promotional materials were developed for farmers, stores, food handlers, and restaurants to help the consumer identify truly Southern Maryland products.
 - A website (www.somarylandsogood.com) has been developed feature farm products, the farms, stores and restaurants and other institutions. The website also links directly to the farms and other

- participants and enable direct communication.
 - Media events will help to showcase the program and educate consumers.
 - A design competition is underway to be used for elementary school materials featuring Southern Maryland farms and products.
- ***Southern Maryland Harvest Directory*** -- a Farm Product and Service Directory, was developed and widely distributed throughout the Southern Maryland region (tourist centers, farmers' markets, fairs, chambers of commerce, libraries, and other locales). Farmers have expressed great appreciation for the Directory. Many farmers have said it brought more business directly to their farms than anything ever before.
 - The Directory was developed based on voluntary responses to a survey sent to the more than 2500 SMD farmers. The directory consists of a voluntary listing of all products offered by the farm community in the five counties, and an array of services offered by the farms, including agritourism, holiday events, and even cancer respite. The directory includes maps of each county, descriptions of the farms and markets where products can be found as well as contact information. The Directory also provides a sample list of restaurants that buy and promote local products, as well as farm service businesses and agencies.
 - An updated directory will be published Spring 2004.
 - A website was developed (www.southernmarylandharvest.com) to periodically update the directory and enable farmers to update their own information. This will include materials for new applicants. (Partially funded through a separate grant.)
- ***Farmers Markets -- Promotional advertising*** -- increased Market sales for over 221 Southern Maryland growers for 16 Farmers' Markets in the five counties. Sales in 2002 from these markets averaged \$1.4 million.
 - ***Southern Maryland Regional Farmers Wholesale Market -- The region's only wholesale*** produce and plant auction market for Southern Maryland (Cheltenham) continues to be supported by program funds and a grant from MDA. This wholesale market supports over 200 Southern Maryland farmers and buyers.
 - ***Calvert Country Market -- An indoor, year-round farmers' market*** in Calvert County was established with the support of program funds. Much along the lines of our envisioned "Everything Southern Maryland", this market provides permanent, conditioned space for Southern Maryland farmers and their goods. The market features fresh produce, seafood, cut flowers, crafts, a bakery and eventually a butcher, ice creamery and deli. Twenty-two vendors currently use the market. Funds or services in-kind are matched on a one-to-one basis by Calvert County.
 - ***St. Mary's Northern Farmers' Market -- predominantly features Amish and Mennonite*** farmers and is exceedingly popular for consumers and tourists. Revenues from this market alone exceeded \$250,000 in 2002. The market site is in great need of expansion as it is rapidly outgrowing the current capacity. Funds have been encumbered to assist this expansion. A land survey is underway, and work is expected to commence in 2004. Funds or services in-kind are matched on a one-to-one basis by St. Mary's County.
- ***Southern Maryland Agri-Business Park and Regional Processing Kitchen (Park)*** -- Program Description: With the advent of the Maryland Tobacco Buyout, the need to diversify and increase income from Southern Maryland (SMD) farms is stronger now than ever before. The vision of the Park is to serve as a launching pad for beginning and existing SMD businesses, as well as an attractant for larger agricultural businesses into the region. The Park could provide services to the community such as education, information and training on processing, manufacturing, marketing, and business management, as well as initial test marketing and distribution. We are specifically looking to expand our existing wholesale market (see above), develop a value-added manufacturing center, become a distribution center for horticultural products, and provide the technical and educational services described above. Creating new businesses, enhancing existing businesses, and encouraging SMD producers to become and/or interface with value-added processors will increase the economic baseline of all. SMD will further its regional identity, harmonizing high technology businesses with prosperous natural resource-based businesses. Studies have identified Rt. 301 in Prince George's as the most advantageous site. Site plans will be developed in early 2004 and initial tenants identified.
- ***Southern Maryland Farm Viability Enhancement Grant Program:*** provides business planning assistance to

farmers on strategies to diversify operations, add value to farm products and/or services, and gain better market access. A total of eight farms developed business plans in 2003, including a special session of the grant program for victims of the 2002 Spring tornado. Charles County Commissioners match the funds with \$80,000, thus enabling five additional farmers to come into the program. Envisioned as a two-year pilot program, 2004 will be the last year this program is offered. The eight farms which received funds in 2003 are engaged in the following activities:

- Agri-tourism, value-added apple products, and retail sales on-farm
- Nursery plants, high value produce, and livestock for value-added beef
- Early season bramble berries and expanded marketing strategies (state-of-the art hydroponic system)
- Cow-calf operations (victim of the spring 2002 tornado)
- Livestock for Value-added beef (tornado victim)
- Nursery plants, high value produce, higher value grain production (tornado victim)
- Educational, diverse, innovative farm for school children (tornado victim)
- Grain and produce production and improved storage (tornado victim)

A third round of applicants have completed business plans in the following areas:

- Wetland plant species – production for wetlands restoration programs
 - Agri-tourism, horse farm (farm was retrieved from impending development)
 - Extended-Season fruits and vegetables through Greenhouse production
 - Expanded Nursery stock and bedding plants through Greenhouse production
- ***Grape and Wine Potential in Southern Maryland*** -- The potential for grapes and wine processing in Southern Maryland is high, but as yet, undeveloped. Interest in the region continues to expand. An extension of a previous grant was awarded to the Southern Maryland Cooperative Extension for continued research on grape varieties, production practices, and wine processing in SMD. The research involves on-farm trials, and research on the Cooperative Extension Research Station in Upper Marlboro.
 - ***Livestock Processing, Marketing, and Value-Added Opportunities*** -- Livestock production is on the rise in Southern Maryland as many farmers transition away from tobacco. There is no current livestock slaughter or processing facility in Southern Maryland for retail sales of meat products. Farmers now ship live animals to auctions or houses in Baltimore, Westminster, or Virginia. Because of this lack of infrastructure, most farmers say it is not cost-effective to consider retail sales of value-added meat. A study was conducted that addresses these demands, current infrastructure, and potential for expanded livestock processing as well as potential outlets for Southern Maryland livestock and meat products. It is envisioned that the results of this study will be disseminated to farmers and will be used as a platform to develop a future strategy for this important need.
 - ***Leadership and Entrepreneurial Development and Education***

Advanced Level Education: { TC \3 "}

Nx Level - Advanced level courses and agricultural and related curriculum for K-12 children's

education programs in Southern Maryland have been minimal. In 2003, the program helped initiate the Nx Level Course through the College of Southern Maryland, a nationally recognized course for agricultural entrepreneurship and business management. The program sponsored scholarships for two SMD farmers to attend the first course in the Spring of 2003. (Partially funded through a separate grant.) { TC \3 "}

LEAD Agriculture Maryland: Scholarships for Southern Maryland participants to attend the LEAD Agriculture Maryland course are on going. One new applicant was sponsored in 2003 that is currently engaged in specialized oyster production. (Partially funded through a separate grant.)

Elementary and Teen Education:

Mobile Science Agricultural Laboratories: Eleven weeks of agricultural education to children in K-12 was sponsored through the Maryland Agricultural Education Foundation's mobile science laboratories. Weeklong sessions in Agricultural Products, Aquatics, and Biotechnology were offered to eight schools in the region. (Funded through a separate grant.)

Take Me Out to the Ballgame: A creative, highly entertaining and informative video, highlighting Maryland's top agricultural products, was sponsored through funds to the Maryland Agricultural Education Foundation. The video highlights agriculture's importance in the daily lives of all Marylanders and will be available for elementary school teachers in Fall 2003. (Funded through a separate grant.)

Southern Maryland 4-H: Youths involved in 4-H agricultural education in four counties were supported by program funds. Specifically, the funds were used to provide hands-on educational learning opportunities such as agriculturally related learning laboratory kits to teach youths about animals, agriculture, horticulture and farming. Additionally, funds were used to develop career awareness for older 4-H teens about futures in agricultural industry and sponsored trips for teens to attend National 4-H Agricultural Educational programs.

Kids Cook -- designed to educate children and their families about the importance of supporting the local farm economy and the nutritional value of consuming fresh, local farm goods. At least 94 children and adults participated in a co-sponsored event at the St. Mary's County Library, featuring examples of the natural bounty of local farms. Future such events are envisioned in 2004. (Partially funded through a separate grant.)

For more information regarding this program, please contact the following:

Dr. Christine L. Bergmark, Director, Agricultural Development or Cia Morey, Administrator
Southern Maryland Agricultural Development Commission / Tri-County Council for Southern Maryland
P.O. Box 745, Hughesville, MD, 20637
Telephone: 301-274-1922 FAX: 301-274-1924 cbergmark@tccsmd.org
Street Address: 15045 Burnt Store Road, Hughesville, MD

05PaygoH

